

ST 02-0025-GIL 01/25/2002 MANUFACTURING MACHINERY AND EQUIPMENT

Exempt manufacturing equipment can include independent devices or tools separate from any machinery but essential to an integrated manufacturing or assembling process. See 86 Ill. Adm. Code 130.330(c)(3). (This is a GIL).

January 25, 2002

Dear Xxxxx:

This letter is in response to your letter dated November 14, 2001. The nature of your email and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), which can be accessed at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter you have stated and made inquiry as follows:

AAA provides cutting and cleaning services in the manufacturing industry. I am aware of the sales tax exemption for manufacturing machinery and equipment. I would like to know if the chemicals that we use in our process and other materials are sales tax exempt and if they are what forms do I need to give to our vendors. Any information you can send or e-mail would be greatly appreciated. I was able to download Publication 104.

Thank you for your assistance.

The sale of tangible personal property, including chemicals, in Illinois to end-users is generally subject to Retailers' Occupation and Use Tax liabilities, unless one can document an exemption. In general, Retailers' Occupation Tax does not apply to sales of machinery and equipment used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease.

The manufacturing process is the production of articles of tangible personal property, whether such articles are finished products or articles for use in the process of manufacturing or assembling different articles of tangible personal property by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use or name. These changes must result from the process in question and be substantial and significant. See 86 Ill. Adm. Code 130.330(b)(2), enclosed.

Effective August 23, 2001, the definition of exempt equipment was expanded to include chemicals or chemicals acting as catalysts but only if the chemicals or chemicals acting as catalysts effect a direct and immediate change upon a product being manufactured or assembled for wholesale

or retail sale or lease. This change resulted from Public Act 92-0484. Please see subsection (c)(6) of the enclosed copy of 86 Ill. Adm. Code 130.330 for illustrative examples of chemicals that qualify for the exemption. Please note it is important for the chemicals to effect a direct and immediate change upon the product being manufactured for sale or lease. As a general proposition, chemicals that remove rust from the surface of metals before plating or finishing in a manufacturing process can qualify for the exemption.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Karl W. Betz
Associate Counsel

KWB:msk
Enc.